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SUBJECT: OVIEDO PITCHES FREE MARKET AND DEMOCRATIC REFORMS

REF: ASUNCION 239

Classified By: DCM Michael J. Fitzpatrick; reasons 1.4 (b) and (d).

SUMMARY

¶1. (SBU) Coup-plotting general turned presidential candidate Lino Oviedo told U.S. business representatives March 27 that his plan for governing is based on economic development, decentralized government, and reform. Oviedo said he will privatize corrupt and inefficient government-owned enterprises. He said his economic plan would only work if accompanied by constitutional and governmental reforms. Oviedo promised strong anti-corruption measures in order to attract foreign investment. On the April 20 elections, Oviedo denounced that the Colorados are orchestrating "dirty maneuvers" to stay in power, even that he believes the Colorados plan to assassinate presidential candidate Fernando Lugo and blame him. On international relations, Oviedo criticized the current administration for its proximity to Venezuelan President Hugo Chavez and Bolivian President Evo Morales. If elected, Oviedo stated that he will focus on strengthening MERCOSUR and signing bilateral trade agreements with the United States, the European Union and Asia. END SUMMARY.

¶2. (SBU) National Union of Ethical Citizens (UNACE) presidential candidate Lino Cesar Oviedo (General, retired) spoke to the Paraguayan-American Chamber of Commerce March 27, the fourth and final in a series of speeches by the major presidential candidates. DCM and Pol/Econ Chief attended all four presentations.

ECONOMIC DEVELOPMENT

¶3. (SBU) Oviedo said his plan for governing is based on economic development, decentralized government, and reform. He said he would promote a free market economy and build infrastructure. He insisted that he will not increase or create new taxes. Oviedo touched briefly on his plan for seven large infrastructure projects, including the Paraguayan portion of the bi-oceanic road and construction of a new complex to house the executive branch.

¶4. (SBU) Oviedo underscored the need to privatize corrupt and inefficient state-owned enterprises. He said he would privatize the electric company (ANDE), the communications company (COPACO), and the cement company (INC). Oviedo criticized INC as inefficient and corrupt, alleging that despite Paraguay's abundance of minerals for cement production (enough to meet internal demand and to export to

Brazil), there is a shortage of cement, which makes it expensive. Oviedo praised private sector efficiency and cited the wireless telephone sector as a success story. Oviedo said that 15 years ago he urged President Rodriguez to deregulate the wireless business. As a consequence, he said, the wireless telephone business is now flourishing.

WHAT FORM WILL REFORM TAKE?

15. (SBU) Oviedo cautioned that his economic plan would only work if it is accompanied by constitutional and governmental reforms. He assured the audience that in his first year as president he will call for a constitutional assembly. Oviedo said the president should serve a four year term with a possibility of re-election. However, he pledged to govern for only one five-year term and stand down. He also highlighted the need for judicial reform, to include the manner in which judges are selected (by judicial experts instead of politicians). He lamented the fact that the present system, based on political quotas, has distorted the judicial system, with only 30 percent of judges legal professionals and 70 percent politicians.

16. (SBU) Oviedo also promised strong anti-corruption measures, including reducing the size of the government, in order to attract foreign investment. He pointed out that investors will not come to a dirty house, so the house must be cleaned.8 To do that, Oviedo explained that Paraguay must end the common practice of politicians employing family members, friends, and supporters. (NOTE: Two of Oviedo's children appear on his House of Deputies list for the election. END NOTE). To illustrate Paraguayan government inefficiency, Oviedo cited as an example the State of Parana, Brazil. He said that Parana equals Paraguay in territory and doubles its population but only has 70,000 public employees, as compared to Paraguay's 267,000.

ELECTORAL FRAUD AND . . . ASSASSINATION?

17. (SBU) Oviedo denounced that the Colorados are orchestrating "dirty maneuvers" to stay in power, that he believes they plan to assassinate presidential candidate Fernando Lugo and blame him. (NOTE: This comment made press headlines the following day, forcing Oviedo to walk back his statement. Given that this has already happened once in Paraguayan history, however, it is not as insane as it sounds. END NOTE). Oviedo claimed informants inside the government provided him with this "intelligence." Oviedo made clear that with the Colorados "everything is possible," that he was the victim of an electoral fraud in 1997 when he won the Colorado primary but later was accused of an attempted coup and disqualified from running for president (reftel).

INTERNATIONAL RELATIONS

18. (SBU) Oviedo criticized the current administration for its close relations with Venezuelan President Hugo Chavez and Bolivian President Evo Morales. Oviedo emphatically declared that he opposed socialists, paternalists, centralists and monopolies. Referring to Chavez, Oviedo said he detested "politicians who win power in democratic terms and then take advantage of the reigning poverty and use petroleum dollars to change the constitution to remain in power permanently."

19. (SBU) Oviedo stated he will focus on strengthening MERCOSUR (particularly on energy integration) and signing trade agreements with the United States, the European Union and Asia. Oviedo asserted that Itaipu and Yacyreta Dam treaties must be renegotiated. In reference to Itaipu, Oviedo said Brazil must renegotiate, allow Paraguay to use the energy produced, pay market price for it (as opposed to

the current two cents on the dollar), or face Paraguay in international courts. (NOTE: After Lugo,s repeated calls for negotiation of Itaipu were met with resistance by Brazil, Oviedo said during the April 4 CNN presidential debate that "serious countries comply with their international obligations and treaties." END NOTE).

COMMENT

¶10. (C) Oviedo's forte is the traditional campaign stump speech, not formal speeches and debates. (He seems to recognize that fact, as he failed to show for an April 14 presidential debate on public administration following his extraordinarily poor performance at the CNN debate). Oviedo had difficulty in tailoring his remarks to the business community, and strayed off course on numerous tangents during his presentation. Oviedo promises judicial security and a limited government role in the economy, which should be attractive to the business community. However, his discourse does not resonate with them, perhaps due to his caudillo past. For all of Oviedo's negative traits (reftel, septel), he would likely work to root out corruption, strengthen the judicial branch, and promote economic development. However, given that he surrounds himself with retired military cronies with limited governance experience, the question is whether he would be capable of assembling a team competent to carry out his orders. END COMMENT.

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